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EMBASSY OFFICERS HAVE INFORMALLY QUERIED OFFICERS IN TWO DIFFERENT SECTIONS FONOFF AS TO WHAT THOUGHT FEDREP MAY HAVE GIVEN TO ITS POSSIBLE USE COUNTERMEASURES. IN THESE DISCUSSIONS FONOFF OFFICIALS EXPLAINED THAT AT BEGINNING CURRENT BERLIN CRISIS FONOFF WORKING GROUP MADE STUDY OF QUESTION OF POSSIBLE EFFECT OF GERMAN EMBARGO ON TRADE WITH USSR AND SOVZONE. CONCLUSION GROUP WAS THAT FEDREP TRADE "ABSOLUTELY INSIGNIFICANT" TO USSR ECONOMY AND HENCE EMBARGO, EVEN THOUGH COMPLETE, WOULD HAVE NO RPT NO EFFECT.

WITH REGARD SOVZONE VULNERABILITY TO TRADE EMBARGO FONOFF SOURCES STATED THEIR STUDIES CONCLUDED MOST IMPORTANT SOVZONE IMPORTS FROM FEDREP ARE IRON AND STEEL PRODUCTS. THESE INCLUDE VARIOUS SPECIAL TYPES STEEL WHICH SOVZONE PARTICULARLY NEEDS, AND STUDY INCLUDED TENTATIVE LISTING THESE IN ORDER IMPORTANCE. CONCLUSION WAS THAT EMBARGOS OF THESE CONSTITUTED THEORETICALLY EFFECTIVE LEVERS ON SOVZONE, BUT MATTER LATER DROPPED FOR TWO REASONS:

(1) APPLICATION SUCH EMBARGOS (IN CIRCUMSTANCES LIMITED HARASSMENT, E.G., OF ALLIED ACCESS) WOULD PROBABLY PROVOKE EAST GERMAN HARRASSMENT GERMAN TRAFFIC TO WEST BERLIN;

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(2) THIRD COUNTRIES (WESTERN EUROPEAN AS WELL AS ASIAN AND AFRICAN NEUTRALS) WOULD PROBABLY STEP IN AS MIDDLEMEN OR ALTERNATE SOURCES SUPPLY, THUS CANCELLING EFFECT FEDREP EMBARGO.

IN REPLY TO DIRECT QUESTION FONOFF OFFICIAL FORSTER, SAID GERMANS HAD ONLY CONSIDERED QUESTION TRADE EMBARGO, HAD NOT REPEAT NOT EXAMINED OTHER POSSIBLE MEASURES SUCH AS DENIAL PORT FACILITIES, CANALS AND RAILWAYS, ETC. HOWEVER, SUGGESTED IF WESTERN POWERS GIVING CONSIDERATION SUCH QUESTIONS, THIS WOULD PROVIDE NEW CONTEXT FOR POSSIBLE FEDREP ACTION.

IN VIEW INSTRUCTIONS REFTEL, WE DID NOT COMMENT FURTHER ON THIS POINT. INCIDENTALLY, FONOFF ADVISED BY GERMAN EMB WASHINGTON THAT MURPHY GROUP PUTTING FINISHING TOUCHES ON BERLIN CONTINGENCY PLANS.

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